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December 19, 2008

President-Elect Barack Obama
President-Elect Transition Team
Washington, D.C. 20270

Dear President-Elect Obama,

As discussions on the economic stimulus package get under way, I wanted to remind you of the desperate need for a far-reaching solution to the housing crisis. For several months, I have been expressing concern that our efforts to address the foreclosure epidemic – the root cause of the economic recession – have been ineffective and unsuccessful. I am worried that future efforts to stabilize the economy will continue to insufficiently respond to the housing market turmoil, and I am asking you to consider my plan as an alternative that will both stimulate the economy and resolve the foreclosure crisis.

Our legislative efforts thus far have simply not worked. Hope for Homeowners was presented as a program that would reach 400,000 homeowners, but as of last month only 312 had participated. The $700 billion bailout was sold as a necessary means to rejuvenate the credit market and prevent foreclosures, but the provisions to help homeowners have been ignored for the sake of capital infusions to financial institutions that have not used the funds to extend credit to individuals. I supported both of these programs because I was assured that they would achieve their stated objectives: to help the economy by addressing the foreclosure crisis. However, the failures of both efforts have left me convinced that a sweeping effort to put all American homeowners, regardless of their default status, into affordable mortgages is the only viable solution to the nation's economic crisis.

I am proposing a plan that would use the conservatorship of Fannie Mae and Freddie Mac to facilitate the refinancing of home mortgages, regardless of default status or loss of home equity. Although unprecedented and extensive, this plan would prevent foreclosures, immediately establish a floor for home prices, and provide an economic stimulus through the reduction of monthly mortgage payments. I represent a district with the highest foreclosure rates in the country and where home equity has dropped by more than 60% in some counties. I know the only way to help my constituents is by adopting a program that responds to the recession by addressing the housing crisis.

In addition to pursuing this legislation, I would like to discuss with your transition team the possibility of declaring areas, such as my district, economic disaster zones so that they may be eligible for additional federal funding. We cannot pursue another band-aid solution in the face of a hemorrhaging economy. The country needs a far-reaching plan, and I would appreciate your eligible for additional federal funding. We cannot pursue another band-aid solution in the face of a hemorrhaging economy. The country needs a far-reaching plan, and I would appreciate your consideration of my proposal as a viable means to achieve the economic stability and stimulus America so desperately needs.

Sincerely,

Dennis Cardoza

Enclosures

Cardoza Housing Stabilization Plan

OBJECTIVE: This legislation is designed to achieve what all other foreclosure prevention programs have failed to do: stop the onslaught of foreclosures by offering affordable refinancing opportunities to all American mortgage holders. The foreclosure crisis continues to devastate our districts, and we simply cannot keep responding to a hemorrhaging economy with band-aid solutions. This approach outlined below will: 1) stop the onslaught of foreclosures; 2) stabilize home sales prices; and 3) stabilize the tax base of local communities.

HOW THIS IS ACHIEVED: These objectives will be achieved by offering all current, distressed owner-occupied households the ability to get a mortgage at a below market rate - 100 to 200 basis points below the prevailing market rate - in addition to a lowering of the mortgage principal if it is necessary to facilitate the refinancing of the loan.

In an effort to stem the tide of foreclosures, homeowners will be given the opportunity to refinance into a loan with below-market interest rates. Since many properties have lost value, homeowners are not able to refinance because the amount owed on their original mortgage is more than the current value of the home. This program will cover the gap between the amount owed on the property to pay off the original mortgage and the current value of the home for the refinancing loan. In addition, the homeowner will have a lower, more manageable monthly payment as the result of the below market interest rate.

SPECIFICS: Over a 24 month period, the GSEs will guarantee the purchase of loans from distressed homeowners at a below market rate with reduced principal balances. The GSEs will cover losses of this program by tapping into the $100 billion backstop provided to them by the Fed, and if that is not enough, then monies from the TARP program can be utilized to cover any excess losses.

The program will work as follows: A borrower that has a $100,000 mortgage, but a property only valued at $80,000, will be refinanced out of the existing loan and into one that carries a below market interest rate. The full value of the refi will be $100,000 so that investors can be made whole. The refinancing borrower, who will be required to stay in the home for at least 5-years, will make payments on $80,000 of the refinanced mortgage. The GSEs will cover the $20,000 shortfall. Should the borrower sell the home before the 5 year period expires, 100% of the mortgage ($100,000, $80,000 + the $20,000 loss taken on by the GSEs) will be required to be returned to the GSEs / government. The percent of the loss that is required to be repaid to the GSEs will be reduced if the borrower is in the home for an extended period (i.e. 5, 10, 15+ years).

December 19, 2008

Merced Sun-Star

Merced County home prices continue slide

Stanislaus appears to have stabilized a bit in November.

By J.N. SBRANTI
The Modesto Bee

Home prices in Merced County continue to fall sharply even as Stanislaus County housing prices stabilized a bit last month, slowing the brutal price plunge that began three years ago.

Median-priced homes in Stanislaus sold for $160,000 during November, which was $1,500 less than October. That decline was far less than previous price drops. Between September and October, for instance, home prices fell $17,500.

Stanislaus County home values have fallen nearly 60 percent since peaking three years ago, according to housing statistics provided by MDA DataQuick.

First-time home buyers and investors are taking advantage of the now-affordable pricing. Sales volume was strong during November, as more than twice as many homes sold compared to the same month last year.

The sales statistics aren't nearly as comforting for Merced and San Joaquin counties.

Merced prices continued plummeting in November, falling to a median of $124,500. That was $12,250 less than October, and nearly 66 percent below what houses were selling for three years ago.

San Joaquin prices dropped to $172,000 last month, a staggering $28,000 fall from October. Its home values have declined nearly 62 percent in three years.

The Valley has been rocked by the foreclosure crisis, which experts agree is pushing down home prices. Those experts disagree, however, on whether the region is through the worst of the housing mess.

"It comes down to just the sheer volume of problem loans in your area," said Rick Sharga, senior vice president of RealtyTrac, which monitors foreclosures nationwide. He predicted the region will continue to lead the country in foreclosures through 2009.

But since this region was first to enter the foreclosure mess, some think it may be among the first to rally.

"It is already recovering," said Sean O'Toole, founder of ForeclosureRadar, which tracks California real estate. He said it's a good sign that the Valley's sales are up and prices are affordable.

"Whereas the so-called strong areas in California, like San Mateo or San Francisco, are now only beginning to correct (by lowering prices)," he said. "At current prices, I'd much rather own property in Modesto than Palo Alto at the moment."

Local realty firms also are seeing some positive signs.

"There's a tremendous amount of demand for housing at these prices, and there are good interest rates right now," said Mike Zagaris, president of Modesto-based PMZ Real Estate.

Whether home buyers will continue to be able to take advantage of low-cost housing opportunities depends on the economy, Zagaris said, "because we have a growing recession that's putting people out of work."

Zagaris also is concerned that many current owners are giving up their homes because they've lost so much equity.

"I'm being told by my people in the trenches that the vast majority of those facing foreclosures now have no interest in redoing their loans. They just want out," Zagaris said. "If that's true, there's no stopping these foreclosures."

What has stopped is most new home construction.

That's good, according to Sharga, because the region needs to reduce its overall inventory of homes so demand can catch up with supply.

Most of the Valley's new home builders have sold all their finished houses and they're only building new ones after they sign sales contracts, said Kent Steinwert, chief executive officer for Farmers & Merchants Bank of Central California. He thinks that will stabilize new home prices.

Steinwert is bullish on the Valley's housing future: "The fundamentals are there. We're growing in population and we can't build enough homes long term to meet demand."

Population estimates released this week show there's been a shift in who is living in the Valley.

More people are moving out of the region than are moving in. New population estimates from California's Department of Finance determined that about 6,824 more people moved to other parts of the United States from Merced, Stanislaus and San Joaquin counties this year than moved to the region.

But new immigrants from foreign countries and high birth rates among current residents more than made up for that loss, the figures showed, so the three counties still gained in population.

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